

Message Text

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TO AMEMBASSY ISLAMABAD IMMEDIATE
INFO AMEMBASSY LONDON IMMEDIATE
AMEMBASSY PARIS

C O N F I D E N T I A L STATE 239404

EXDIS TOSEC 412

E.O. 11652: GDS
TAGS: PFOR, ENRG, FR
SUBJECT: FRENCH ENERGY INITIATIVE

LONDON PASS SONNENFELDT AND HARTMAN

1. AMBASSADOR KOSCIUSKO-MORIZET REQUESTED AN APPOINTMENT TODAY TO DISCUSS THE FRENCH INITIATIVE FOR A PRODUCER/ CONSUMER MEETING ON PETROLEUM. HE DESCRIBED GISCARD'S INITIATIVE GENERALLY ALONG THE LINES PRESENTED TO OUR EMBASSY IN PARIS LAST FRIDAY, ENDING WITH THE QUESTIONS, WHAT IS THE US REACTION AND DO YOU ACCEPT THE INVITATION TO PARTICIPATE IN THE PREPARATORY MEETING SUGGESTED FOR LATE NOVEMBER?

2. WHEN I ASKED KOSCIUSKO-MORIZET WHAT THE FRENCH EXPECTED TO ACHIEVE AT SUCH A CONFERENCE HE TALKED VAGUELY OF SOME FORM OF PRICE INDEXATION WHEREBY THE PRICES PRODUCERS PAID FOR TECHNOLOGY, INDUSTRIAL PRODUCTS AND FOOD WOULD BE RELATED TO THE PRICE THEY RECEIVE FOR OIL. HE DISTINGUISHED
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THOSE PRODUCER COUNTRIES SUCH AS IRAN AND NIGERIA THAT

WOULD USE THEIR OIL REVENUES TO INDUSTRIALIZE THEIR COUNTRIES FROM THOSE PRODUCERS WHO WANT PRIMARILY TO MAINTAIN THE VALUE OF THEIR MONEY OVER THE NEXT 10-15 YEARS. HE ALSOACKNOWLEDGED THAT THE PRESENT PRICE OF OIL IS PERHAPS TOO HIGH AND THEREFORE NOT AN ACCEPTABLE BASE LEVEL FOR SUCH A SYSTEM.

3. WHEN I NOTED OUR CONCERN AT THE ANNOUNCEMENT OF THE FRENCH INITIATIVE WITH SUCH SHORT NOTICE AND WITHOUT PRIOR CONSULTATION KOSCIUSKO-MORIZET REPLIED THAT IT SHOULD NOT HAVE BEEN A COMPLETE SURPRISE SINCE THIS IS AN OLD IDEA RAISED INITIALLY BY YAMANI AND THAT THE SUBJECT HAD BEEN BROACHED DURING THE CAMP DAVID DISCUSSION. FURTHERMORE, KOSCIUSKO-MORIZET SAW NO CONTRADICTION BETWEEN THE FRENCH INITIATIVE AND CONTINUED PROGRESS IN THE SMALL GROUP OF FIVE CONSUMER COUNTRIES.

4. I RESPONDED THAT IT WAS STILL NOT CLEAR WHAT COULD CONVINCE PRODUCERS TO LOWER PRICES. I DID NOT ANSWER THE TWO QUESTIONS RAISED BY KOSCIUSKO-MORIZET BUT SAID THAT WE WOULD STUDY THE FRENCH PROPOSALS AND BE BACK IN TOUCH WITH THEM. INGERSOLL

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